

**THE AIR FORCE INTEGRATED PRODUCT TEAM (IPT) REPORT**

**ON THE AWARD OF DIRECT ORDERS AND ORDERS UNDER BLANKET**

**PURCHASE AGREEMENTS (BPAs) USING THE FEDERAL SUPPLY**

**SCHEDULES (FSS)**

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## **EXECUTIVE SUMMARY**

SAF/AQC sponsored an IPT meeting on 2-3 Dec 97 to discuss policies and best business practices in awarding direct orders and BPAs under the FSS. In the past, the traditional use of the FSS were for low dollar items using individual orders. This past year, the General Services Administration (GSA) has provided new features for the use of their FSS. A significant feature is the removal of maximum order limitations which allows for high dollar value orders. Another significant feature is to allow agencies to establish BPAs with FSS vendors and to negotiate more favorable prices and terms and conditions than those on the FSS. Director of Defense Procurement (DDP) issued a memo, dated 6 Mar 97, pointing out these new features and urged Services and agencies to take advantage of the FSS. Since then, Air Force organizations have established or are considering establishing BPAs under the FSS for high dollar acquisitions of supplies and services. Most of those observed up to this point cover information technology (IT) products. Recognizing this, SAF/AQC issued a policy memo, dated 14 Aug 97, which provided guidance for using the FSS for IT acquisitions. This policy memo went over the pros and cons of using the FSS vice the more traditional Indefinite Delivery/Indefinite Quantity (ID/IQ) contract vehicle.

In addition to IT acquisitions, some AF activities are interested in establishing BPAs under the FSS for high dollar value professional services requirements. An example of this is the planned Information Technology Service Program (ITSP) at the Electronic System Center (ESC) locations at Hanscom AFB, Material Systems Group (MSG), and Standard Systems Group (SSG). ITSP is a planned follow-on program for Technical Engineering and Management Support (TEMS) which planned to utilize the FSS to acquire their TEMS requirements vice the traditional ID/IQ contract vehicle. This planned acquisition approach has raised some difficult policy issues and concerns. One of the issues raised is from the Small Business Administration (SBA) who expressed grave concern about current and potential impact on the SBA program in general, and on the 8(a) program in particular. The Air Force Small Business (SAF/SB) office has similar concerns as the SBA, in addition to the concern of how to track the socio-economic participation under the FSS. Another issue raised was whether the use of the FSS/BPA was the right contracting vehicle to acquire high dollar and complex technical support services in terms of competition, management, and providing stable/long term support.

SAF/AQC memorandum, dated 24 Oct 97, directed the formulation of an IPT to establish policy and guidance which would address the above issues and concerns. The IPT met and discussed various policy needs and best business practices for using FSSs. Results of this IPT meeting are found in this document. The main conclusions from the IPT were:

- 1) Air Force buying activities need to apply sound business judgment in making their decision on whether to use the FSS to acquire any supply or service
- 2) Small Business issues must be addressed and elevated to SBA and GSA management
- 3) Top level Air Force management must endorse the expanded use of FSSs.

## **BACKGROUND**

In a 6 Mar 97, OSD (DDP) memorandum, Subject: General Services Administration (GSA) Federal Supply Schedules (FSS) as Preferred Sources of Supply, Ms Spector urges the Services and Defense agencies to take full advantage of GSA Schedule contracts for supplies or services that are covered under them. A key premise of this memo is that the “use of these contracts meets DOD goals to simplify the acquisition process while at the same time increasing the contracting officer’s authority and ability to make sound business judgments.” While the GSA FSSs are considered preferred sources of supply, they are not mandatory, and their use should be the result of an integrated acquisition strategy based on sound business judgment. This premise is the foundation of the AF’s policy guidance on the use of the FSS.

The regulatory policy and guidance for the FSS can be found in the Federal Acquisition Regulation (FAR) Subpart 8.4. Some of the key areas can be found in FAR 8.401, which states “the FSS program, directed and managed by the GSA, provides Federal agencies with a simplified process for obtaining commonly used commercial supplies and services at prices associated with volume buying.” Further regulatory guidance in FAR 8.404 states “when agency requirements are to be satisfied through the use of FSSs as set forth in this subpart, the policies and procedures of Part 13 and the small business set-aside provisions of Subpart 19.5 do not apply except for the provision at 13.202(c)(3). Moreover, orders placed pursuant to a multiple award schedule (MAS), using the procedures in this subpart, are considered to be issued pursuant to full and open competition (see 6.102(d)(3)). Therefore, when placing orders under FSSs, ordering offices need not seek further competition, synopses the requirement, make a separate determination of fair and reasonable pricing, or consider small business set-asides in accordance with subpart 19.5. This authority recognizes that in awarding MAS, GSA determines the price of items under schedule contracts to be fair and reasonable, and that ordering offices may place orders to the schedule contractor that can provide the supply or service that represents the best value and results in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the Government’s needs.

Electronic Systems Center (ESC), reevaluated its acquisition strategy for the current Technical Engineering & Management Support (TEMS) IV program. The scope of the ESC effort is \$750 million over five years and covers the TEMS requirements at Hanscom AFB, Standard Systems Group (SSG) and Material Systems Group (MSG). In May 1997, an ESC team consisting of program management, legal, and contracting representatives met with GSA officials in Washington, DC to evaluate the scope and limitations of GSA FSS contracts for information technology supplies/services. A decision was made by ESC to utilize BPAs under the FSS to acquire the acquisition support for ESC’s research, development, procurement and integration of DOD’s C2 systems. This acquisition is called the Information Technology Services Program (ITSP). On 20 Aug 97, Col Thomas Mahler, ESC/PK, provided an informational briefing to SAF/AQC on the implementation plan for the ITSP. SAF/AQC met with SAF/SB (on 21 Aug 97) to address small business issues involving the ITSP and increased use of the FSS. Based on these two meetings the following issues/concerns of the FSS were raised: (1) obtaining competition, (2) maintaining small business participation and (3) DD 350 reporting/coding of small business program acquisitions under the FSS.

The SBA, pursuant to Section 8(a)(1)(A) of the Small Business Act and Section 19.810 of the FAR, formally requested policy action by SAF/AQC regarding the determination by MSG to withdraw “Technical Advisory and Assistance Services” (TAAS) and “Business Office Advisory Assistance Services” (BOAAS) from the 8(a) program. According to MSG, only a portion of TAAS and BOAAS were in the 8 (a) program and not the entire requirement. The SBA notified (by letter dated Aug 28, 1997) the contracting officer of its intent to appeal the Air Force decision to procure using the multiple award schedule and not to award the subject procurements under the 8(a) program. Subsequently, a series of meetings commenced between MSG and SBA with the goal of producing an agreement that would satisfy MSG requirements and continue to provide development opportunities for small business and 8(a) program participants. These meetings were unsuccessful in MSG and SBA reaching a mutually acceptable solution. SBA then formally appealed the acquisition strategy to provide procurement opportunities to small and 8(a) program participants and requested the Assistant Secretary of the Air Force for Acquisition to take action to reverse the decision of the MSG contracting officer. This same appeal was made to the Secretary of the Air Force.

SAF/AQC was also concerned about the ESC ITSP and directed a one year extension to existing ESC support contracts. This concern was using the FSS for large technical support acquisitions and the need to ensure that the AF had adequate policies and procedures for using FSSs. Accordingly, SAF/AQC issued a memo, dated 24 Oct 97, establishing a moratorium of establishing new BPAs under the FSS, pending development of policy and procedures regarding their use. SAF/AQC directed the initiation of a IPT to research and develop these policies and procedures and identify best business practices for Air Force wide use.

Note: The use of the term FSS and MAS are considered to be interchangeable for the purpose of this Report.

## **I. CHARTER**

SAF/AQC established an IPT to formulate policies on such issues as what kind of requirements should be acquired using the FSS/BPA vehicle, how to encourage and support the use of small business sources, and how contracting officers can exercise sound business judgment in awarding BPAs and issuing orders.

## **II. IPT MEETING**

On 2-3 Dec 97, an IPT meeting was held to develop good business practices for awarding BPAs under the FSS. The IPT categorized, analyzed and made recommendations on key policy and business practice issues for the use of FSSs. GSA gave a presentation on the benefits of using BPAs under FSS. The IPT decided that the main subject areas to be addressed were: (1) BPAs versus Delivery Orders versus Other Options, (2) Acquisition Planning,, (3) Small Business (4) Award of BPAs, (5) Award of Delivery Orders, (6) Coding/Reporting, and (7) Administration. IPT members discusses these areas and divided into groups to work on specific issues and the recommendations for each (listed in Part IV of this report).

### III. SOME BASICS

Understanding the issues: Prior to getting into the individual policy issues, it is important that several concepts be highlighted.

#### COMPETITION

GSA's FSS Program is sanctioned under the Competition in Contracting Act (CICA) 41 U.S.C. 253(a). Congress included statutory authority for GSA's multiple award schedule program in CICA amendments to the "Federal Property and Administrative Services Act." The term "competitive procedures" means procedures under which the head of an agency enters into a contract pursuant to full and open competition. The following can also be found in the statutory definition of competitive procedures (41 U.S.C. 259 (b) (3)):

"(c) the procedures established by the Administrator of General Services for the multiple award schedule program of the GSA if—

- (i) participation in the program is open to all responsible sources; and
- (ii) orders and contracts under such program result in the lowest overall cost alternative to meet the needs of the United States."

FAR 8.404(a) implements the GSA FSS program. It states "orders placed under the procedures in this subpart, are considered to be issued pursuant to full and open competition. Therefore, when placing orders under the FSS, ordering offices need not seek further competition, synopses the requirement, make separate determination of fair and reasonable pricing, or consider small business set-asides in accordance with subpart 19.5."

FAR 8.404 (b)(2) provides the procedures agencies must use to place orders exceeding the micropurchase threshold. Before placing an order, ordering offices should consider the available information under the MAS contracts by using the "GSA Advantage" on line shopping service, or by reviewing the catalogs/price lists of at least three schedule contractors and select the delivery and other options available under the schedule that meet the agency's needs. In selecting the supply or service representing best value, the ordering office may consider—

(i) Special features of the supply or service that are required in effective program performance and that are not provided by a comparable supply or service;

(ii) Trade-in considerations;

(iii) Probable life of the item selected as compared with that of a comparable item;

(iv) Warranty considerations;

(v) Maintenance availability;

(vi) Past performance; and

(vii) Environmental and energy efficiency considerations.

FAR 8.404(b)(3) calls for additional actions when orders exceed the schedule's maximum order threshold, including:

- (i) Reviewing additional contractor schedules and price lists,
- (ii) Seek price reductions from schedule contractor(s) appearing to offer the best value (price and other factors considered), and
- (iii) ...Place the order with the schedule contractor that provides the best value and results in the lowest overall cost alternative.

GSA also addressed the use of Commerce Business Daily (CBD) or electronic posting of potential orders by agencies in attempt to announce business opportunities to FSS and non-FSS holders. GSA opposes any attempt to impose a policy requirement for publicizing proposed orders against schedules. However, publicizing requirements or intentions to establish BPAs to industry was considered a good business practice for certain acquisitions.

#### **Competition Summary:**

The GSA MAS and FSS programs are competitive procedures per FAR 6.102 (d) (3). GSA's procedures for this program are prescribed in FAR Part 8. As such ordering activities are not authorized to establish ordering procedures which deviate from the FAR unless a deviation is obtained. However, agencies can issue guidance or policy on the use of MAS contracts.

### **SMALL BUSINESS PROGRAM**

GSA's MAS program is required by law to be open to all responsible sources. GSA does consider small business set-asides at the time schedules are established and may set aside all or a portion of a schedule for small business. However, the 8(a) program has not been applied to the MAS schedule program to date because the 8(a) program has been, until recently, a sole source contracting program. Firms that are qualified under SBA's 8(a) program are welcome to participate as FSS contractors without the formality of establishing a special 8(a) contract through the SBA. FAR 8.404(b)(6) states, "For orders exceeding the micropurchase threshold, ordering offices should give preference to the items of small business concerns when two or more items at the same delivered price will satisfy the requirement." Under the FSS no other preference conditions are cited for ordering activities because they are addressed by GSA in setting up the schedule contract.

GSA reports that nearly 70% of the FSS contracts awarded are to small business; and that order placement to those firms has represented about 35% of the total dollar value of FSS orders. GSA also has offered to work with agencies to provide information from the Federal Procurement

Data System (FPDS) or to share electronic information already available and reported with agencies to avoid the need for agencies to impose additional reporting requirements on contracting offices. In fact, SBA memo dated 5 Nov 1997 invited agencies to include in their procurement base and goals for FY 98, the dollar value of GSA schedule orders and to report accomplishments against those goals. However, the DoD OSDBU is against inclusion of this data until such time as buying activities are provided tools and an order of precedence, in accordance with DFARS 219.504 and 219.803 (c), that could influence the placement of orders with small businesses. They are also concerned about fully utilizing pre-existing contractual coverage by small, small disadvantaged and woman owned businesses.

FAR 8.404 specifically states that ordering agencies need not consider small business set asides under FAR 19.5 when using the schedule. SBA, on the other hand, considers FAR 19.8 (The 8(a) Program) as within their authority to appeal an agency's decision to use FSSs when doing so would eliminate contracting opportunities for 8(a) contractors (particularly where previous work was done under the 8(a) program and is now being moved to the FSS). The final decision authority on this issue is the Secretary of the Service where the appeal is lodged.

GSA has taken the position that the small business set-aside provisions of FAR 19.5 do not apply to orders under the FSS (see FAR 19.502-1). Also GSA noted that individual ordering activities should not become involved in monitoring subcontracting plans against schedule contractors because this would be inconsistent with the FAR policies on the approval and administration of commercial product plans. GSA approves and monitors these plans.

### **Small Business Program Summary:**

In order to use GSA's schedule program, the AF cannot currently establish ordering procedures which set-aside work to only small business schedule holders or otherwise deviate from statutory/GSA based procedures in the FAR. Actions may however, be taken to set and use dollars and actions reported against GSA's schedule program in the activities' goals. Ordering offices should ensure that small, small disadvantaged and woman owned business concerns on the schedule are fairly represented when conducting initial evaluations to identify the schedule contractors that may be able to meet the agencies needs. Decisions to not utilize the 8 (a) program are subject to Secretarial appeal by the SBA. Organizations should work with their small business office when deciding whether to conduct a procurement under the 8 (a) program or utilize pre-existing contractual coverage by small, small disadvantaged and woman owned businesses before seeking to employ the FSS for an acquisition.

## **LENGTH OF GSA SCHEDULES**

GSA schedules are awarded for an initial five year term with provisions for review at the end of that term and, based on that review, an extension for an additional five years. Ordering agencies may write BPAs with the same performance period terms. Since GSA's program is open-ended, new GSA schedules are added at any time. Consequently, GSA schedules do not expire at the same time. When ordering agencies decide to write BPAs, the time remaining on



GSA schedules may be longer for some contractors than on others. When a schedule expires, GSA and contractors often agree to a new Schedule contract for a new five year term.

### **Length of GSA Schedules Summary:**

Length of GSA schedules is not a critical impediment to use by activities who want to develop long term relationships with contractors. Since schedules may expire at different times, depending on when they were awarded, time remaining on schedules needs to be considered when establishing your BPAs. Most suppliers have their Schedule contracts renewed by GSA. Additional BPAs could be established with new schedule holders when it is AF's best interest to do so.

## **IV. KEY ISSUES ADDRESSED BY THE IPT**

### **1. Issue: FSSs versus Other Contracting Options**

#### **a. Discussion:**

Ordering offices need to consider several factors before selecting the FSS approach as the best method to satisfy their requirement. The list below identifies (from IPT discussions) some of the pros and cons of using the FSS.

#### **b. Pros:**

- 1) Many examples have been given in previous correspondence, such as those in the 6 Mar 97 DDP Memo, and from GSA Briefings and Web sites. These include benefits such as: synopsis not required, use of IMPAC card strongly emphasized, item selection based on "best value", reduced paperwork, removal of maximum order limitations, BPAs are strongly encouraged, contractors can form teams, customers can seek price reductions, and improved terms and conditions.
- 2) GSA schedules cover a very wide range of products and labor categories. Scope of GSA schedule contracts, provides wide flexibility to users.
- 3) The ease of getting dollars obligated and on contract through direct awards or through BPAs.
- 4) Risk mitigation. This means the ability to change contractors if performance problems develop by having many contractors available on the schedule to order from and the ability to add contractors to the schedule as technology accelerates in certain areas. Ordering from the FSS is also less likely to be protested.
- 5) The use of FSS support several Acquisition Reform and National Performance Review (NPR) Initiatives such as: acquisition of commercial products, reduction in inventories, reduction in cycle time, and reduction of agency overhead.

6) GSA schedules provide a framework which will support stable long term relationships with suppliers and the capability to add suppliers through a more streamlined ordering process than formal source selections.

7) Centers of expertise could provide acquisition personnel with central locations for market research and other expertise for specific products.

**c. Cons:**

1) The AF would be giving up the discipline and rigor currently being used in source selection for requirements which could be acquired under GSA schedules. This would result in some loss of source selection expertise. However, source selection expertise is required for the BPA and ordering selection process under the FSS program.

2) The AF must recognize that it will be more dependent on GSA. The AF would be dependent on GSA's continued expertise, cooperation, and ability to satisfy our requirements. The AF would be subject to changes in GSA policies and procedures. It is important to note though that the AF would only be using GSA as the primary contracting vehicle (the direct schedule or BPAs) and would still be very involved with the actual ordering vehicles and post award administration.

3) If some industrial funded areas (which currently receive surcharges or fees for orders against their IDIQ contracts to cover their cost) would start using GSA schedules, then the surcharges would no longer be received and some other form of budgeting/funding would be necessary.

4) With the increased use of BPAs under the FSS training of the acquisition workforce is required. AF workforce may not be adequately trained in the use of GSA schedules, their potential use for a wide variety of requirements, and our rights and remedies under them. Training would have to capture DOD and AF official views on the processes to be followed in awarding BPAs.

5) GSA's past performance system for their schedules is based on the financial capability and not the performance of the supplier. Therefore additional procedures in this area will need to be developed as well as processes for the subsequent use of past performance data in task and delivery order award. Ordering activities need to conduct past performance analyses.

6) Until small business issues are resolved there may continue to be problems with perceived abandonment of DOD's obligations towards small, small disadvantaged, and women-owned small businesses.

7) The Air Force will be paying GSA a surcharge to use their schedules. Currently GSA collects 1% from the vendors which is built into the prices that schedule users pay for products/services.

The IPT considered use of the FSS inappropriate in the following situations:

a) If FSS would require contract provisions which are inconsistent with the basic GSA schedule, FAR Part 8, and FAR Part 12.

b) If FSS would not provide adequate terms and internal controls to ensure contractor performance for the type of work required such as quality control and assurance, partnering, monitoring payment or obligation of funds, means to monitor users, environmental, safety, security, etc.

c) When the requirement is outside the scope of the GSA schedule.

d) Where 8(a) contractors are currently and successfully performing the work on a contract vehicle other than a FSS, AF should not migrate to the FSS without documenting rationale to support this decision and coordination with their Small Business office.

#### **d. Recommendations:**

1) When use of GSA schedules meets AF needs and represent an appropriate acquisition strategy to satisfy the requirement, senior level AF and DOD officials should fully support the use of GSA schedules as the preferred source and primary tool to acquire certain supplies and services, such as commercial/general purpose supplies and advisory & assistance services (for both large and small dollar value programs). This includes direct awards under GSA schedules and awards through BPAs. It is not envisioned that GSA schedules would be used for military/combat specific supplies. It is important to emphasize that while AF source selection efforts would decrease, the role of contracting people should move to that of business managers in the use of GSA schedules as a preferred tool in meeting the needs of the AF. Also the use of the source selection principles should be used in the FSS BPA and ordering selection process. Under this concept, core groups could develop within the AF around certain product groups and these core groups could become the market experts for the acquisition of these products and assist with market analysis and use of GSA schedules.

2) Small Business concerns must be recognized and resolved to allow buying activities the capability of using the FSS when appropriate. Interim policy is necessary to encourage activities to be cognizant of their small business goals and support obtaining these goals through the use of the FSS. It is essential to discuss small business issues with SBA leaders and monitor data on the impact of the use of BPAs under the FSS.

## **2. Issue: Acquisition Planning**

### **a. Discussion:**

The IPT considered thresholds which would require formal Acquisition Strategy Panels and Acquisition Plans. AF and DoD policy currently require formal acquisition plans for

acquisitions over certain dollar levels. The IPT generally agreed that these requirements should apply to the use of FSS.

The decision to use the FSS, rather than other contracting methods, should be made based upon an integrated acquisition strategy and plan. This plan should address the strategy to maintain a competitive environment which supports small business interests. Users of schedules also need to be aware that GSA's open-end procedure on awarding schedules could mean that new contractors are added at different times for products and services. Agencies establishing BPAs may want to add new BPAs when new GSA schedules become available that offer best value products or services to the users.

The number of BPAs will be dependent on the type of supplies or services of an ordering activity. Unless conditions such as standardization or security dictate use of only one BPA and the volume of requirements will support more than one BPA, the IPT concluded that a reasonable number of BPAs should be established. Having a number of BPAs will also provide a continual competitive environment in which to place orders from.

GSA stated that a BPA should not be used to establish a Government-wide requirements contract vehicle. Multiple installations may, however, consolidate their requirements in an effort to obtain better discounts under a Schedule BPA. To assure agencies obtain the best value the BPA should reflect the consolidated requirement of all users, and include an estimated quantity. Multiple Award Schedule contractors provide a large variety of commercially available products and services at prices equal to or better than their most favored customer prices. A cooperative MAS BPA is an excellent way for combined users to fulfill recurring needs quickly and cost effectively with schedule contractors.

**b. Recommendation:**

1) The thresholds for the ASPs and formal acquisition plans are adequately covered in the regulatory guidance and all approvals/limitations on authority are also covered. These thresholds and requirements apply to acquisitions using the FSS. Existing regulations also provide guidance on market research and the selection criteria for "best value" procurements, thus, no additional policy is needed in these areas. However, ordering activities need to be reminded that market research and selection of vendors who provide "best value" are two key areas of deciding to use the GSA schedule. Disclosing the criteria for award to suppliers is also required when other than price is being considered.

2) Policy should not require or even recommend that buying activities set aside orders for participation by only small business or 8 (a) firms. GSA considers set asides of orders as inconsistent with CICA which establishes full and open competition for firms interested in the multiple award schedule program. While a representative number of small business schedule contractors should be included in the evaluation, AF cannot exclude interested large businesses. The IPT recommended that SBA take this issue up with GSA, if necessary, to allow buying activities to set aside orders for participation by only small business contractors. Until then, users of GSA schedules cannot develop ordering procedures which are not in accordance with FAR

Part 8. Nothing stated above precludes addressing organizational socio-economic goals (Small Business, Small Disadvantaged Business, Woman Owned Business) in an activity's ordering decisions or using as a factor in best value selections.

3) Acquisition plans must address the dollar range and complexity of the requirement, and document the factors supporting use of the FSS. These acquisition plans shall be coordinated with the ordering activities' Small Business Specialists and documented on the DD Form, 2579, Small Business Coordination Record.

### **3. Issue: Awarding BPAs**

#### **a. Discussion:**

The IPT discussed the following matters related to selecting which GSA schedule contractors will be awarded BPAs.

1) Public announcement of business opportunities. Use of a special announcement, "special notices", in the CBD was considered a good business practice if it can be released far enough in advance to hold vendor conferences and give non-schedule holders time to get on a FSS with GSA. When time does not permit, or other circumstances do not warrant a public announcement and vendor conference, neither are required. GSA opposes any policy requirement for publicizing businesses (particularly direct orders against GSA schedules) but has no specific position with regard to publicizing BPA opportunities. Therefore, unless the program involves high volume business opportunities with adequate lead time for interested firms to get on GSA schedules, it may be counterproductive to issue public announcements, rather inviting only schedule holders to a public vendor conference may be more practical. The synopsis of an order is not required by FAR Part 8 and procedures established by GSA.

2) Organizations may use "Requests for Information" or "Invitation to Respond" to notify FSS suppliers of intention to award BPAs. This request or invitation should identify evaluation factors, format of information needed, estimates of the requirements and other information to support a request for a price reduction from the GSA schedule. FAR 8.404(b)(4) provides that BPAs should address frequency of ordering, invoicing, discounts, delivery locations and times.

3) No specific format is required for BPAs and GSA formats are available. The selection criteria that exist in FAR Part 8.4 on evaluations is adequate and no further guidance is necessary. GSA stated they also have evaluation guidance. All BPAs should be signed by a warranted contracting officer.

4) Additional clauses, terms and conditions, i.e., Organizational Conflicts of Interest, may be added if agreed by the GSA schedule contractor provided they do not conflict with the schedule.

5) BPAs will not establish ordering procedures or evaluation processes which are in conflict with FAR Part 8

6) The IPT did not believe that every BPA should include pricing, particularly for services, where more practical pricing may be established at the time orders are negotiated. If this approach is used it needs to be explained in the BPA. For example, some GSA schedules for services allow agencies to negotiate orders at hourly rates established in the schedules for various classes of professionals. Depending on the size and complexity of the requirement, agencies may find it more advantageous to ask for rates at the point of ordering which are more in line with the quantities and economies of scale associated with the work effort and the hours needed to perform the order. However, discounts can be requested when BPAs are issued or when subsequent orders are issued.

**b. Recommendations:**

GSA's procedures for ordering against their schedules also extend to selection of contractors for BPAs. However, the following guidance will ensure more consistent implementation and use of existing authorities across the AF.

1) "SPECIAL NOTICES" for the intent to establish BPAs may be published in the CBD or an organization's electronic bulletin board when sufficient time is planned for interested non-schedule holders to get on GSA schedules. Formal CBD notices are not required. Early communications with interested GSA schedule contractors and suppliers who may pursue a GSA schedule will maximize the available supplier base for an organization .

2. Develop written "Invitation to Industry" notice which meets the following guidelines:

a) Ordering offices will not establish selection or ordering procedures which conflict with policies in FAR 8.4.

b) Stipulate in the invitation that only FSS holders will be considered for BPA award.

c) State in the invitation that multiple BPAs awards may be made and teaming arrangements are acceptable.

d) Outline selection/evaluation criteria as stated in FAR Part 8.4.

e) Provide instructions on how to Respond to the invitation (format, number of pages, etc.). Keep information requested to only that needed for the evaluation.

f) If additional terms & conditions are required, they cannot conflict with the terms and conditions in original schedule contract awarded by GSA.

g) Invitations should provide estimated usage information and request offerors to submit prices which are below their GSA schedules for the BPA. The ordering office may, in lieu of establishing prices in the BPA, call for pricing for individual orders provided the approach is

explained in the BPA. For professional services the ordering office is responsible for considering the level of effort and mix of labor proposed to perform as specific tasks being ordered.

3) Include a representative number of firms with GSA schedules that qualify as small business firms in the evaluation for award of BPAs. When establishing follow-on BPAs, contracting activities should not restrict evaluation to only those GSA schedules considered in prior evaluations.

4) BPAs must be negotiated by contracting personnel along with personnel from the requirements office. The BPA will be signed by an authorized contracting officer. No specific format is required for the BPA; however, GSA has examples of current BPAs which are available for use.

#### **4. Issue: Award of Orders**

##### **a. Discussion:**

The IPT addressed the following matters related to awarding orders either directly or under BPAs when more than one contractor is awarded a BPA and is capable of performing agency requirements.

1) FAR 8.4, prescribes procedures which must be followed in selecting best value for orders against GSA schedules. GSA establishes procedures for awarding orders against MAS contracts. Agencies are not authorized to change these procedures.

2) For certain IT requirements, the ordering office needs to ensure the requirements community takes the necessary measures to address interoperability and standardization. A member of the IPT from SSG requested SAF/AQC coordinate any proposed procedures/instructions with AFCIC. AFI 33-112 effective 1 December 1997 provides instructions on management and procurement of computer systems, products and related services. Paragraph 16 of this AFI provides that the "CSO will utilize Air Force Infrastructure contracts (when such contracts meet mission requirements) for obtaining all Air Force computer system needs, including local area network (LAN) acquisitions; "Direct questions about infrastructure support contracts to SSG/SSMC". These infrastructure contracts include DT IV, V, ULANA I and II. The intent of the policy is to ensure that CSOs buy equipment/services that support infrastructure compatibility, interoperability standards. HQ SSG/PK has contracts in place now that can be administered/managed so that users get the needed products, timely and at best value. However, many of these contracts will expire in the near future and the need exists now to plan future acquisition strategy. The IPT concluded that use of the GSA schedules for procurement of COTS products/services affords the Air Force the most cost effective, efficient means for satisfying future requirements. AFCIC didn't participate in the IPT, however, AFCIC/ITI has received a copy of the IPT report.

##### **b. Recommendations:**

When considering ordering from FSS holders, activities should ensure and promote a vigorous competitive environment. In establishing the ordering process under the FSS, contracting officers should follow instructions outlined in FAR Part 8.404 in pursuing “best value” awards. A structured evaluation process should be established which would contain information, particular to the requirement being ordered, necessary to properly make a best value award decision. Consistent with FAR 8.404, past performance on earlier tasks should be considered to determine which awardees should be considered for future tasks. Suppliers shall be provided the evaluation factors used for the ordering decision. Contracting officers should pursue price reductions and more favorable terms and conditions than those that are already available on the FSS and look at all factors (cost and non cost) in ordering against the BPAs. The ordering decision should be formally documented and be consistent with the established evaluation process. Other areas that should be considered by the contracting officer when ordering from the FSS:

- 1) A well-defined performance based statement of work for orders is required.
- 2) Applicable regulations or requirements of the product or service you are ordering. Examples of this include: Advisory & Assistance Service reporting requirement, Organizational Conflict of Interest clause, Year 2000 compliance, Defense Information Infrastructure Common Operating Environment, etc.
- 3). Evaluation of a representative number BPAs with Small, Small Disadvantaged, and Women Owned Businesses for potential orders. Socio-economic goals and performance may be a factor in the ordering decision.
- 4) Use interactive electronic process for ordering and payment to save time, increase communication between industry and government, and increase understanding of the requirements. Use simplified procedures and award documentation, i.e., proposal requirements on contractors. Consider the use of oral presentations to reduce lead time and contractors’ proposal preparation costs.
- 5) Maximize the use of IMPAC for payments in accordance with the basic GSA Schedule when IMPAC will streamline the payment process and not increase costs to the AF.
- 6) Orders must be signed by a Contracting Officer or authorized ordering officer. Orders over \$25,000 require DD350 input and must be completed by contracting personnel.

## **5. Issue: DD 350 Coding/Reporting.**

### **a. Discussion:**

The current Federal Procurement Data System (FPDS) does not provide adequate instructions on reporting orders under BPAs issued against FSS. The DD 350 system used by DOD does not contain coding fields to identify orders under BPAs. However, a special identifier could be established for orders, using already authorized fields without changing the DD350 system, which would allow the Air Force to track orders placed under BPAs. This identifier



would be the order number in Block B2 to recognize the order as a BPA transaction under the FSS.

GSA inputs data into FPDS which identifies size and socioeconomic status of the schedule holder. When ordering activities report orders against these schedules, the transaction values are collected in the appropriate fields and can be retrieved for ordering offices. DOD activities have a need to monitor business under BPAs. Procedures are needed to allow agencies to segregate the regular orders against GSA schedules from the BPA orders.

However, since GSA procedures preclude ordering services agencies from establishing subcontracting plans for BPAs or restricting business to small business GSA contractors, the need to segregate this data is questionable; however, the AF activities writing BPAs against GSA schedules will need to monitor use of BPAs and their impact on Small Business Programs.

OUSD memo to OFPP dated, 17 Nov 97, Subject: Draft Memorandum on FPDS Reporting of Contract Actions Against Federal Supply Schedules, Government-Wide Agency Contracts, Multi-agency contracts and Franchise Funding Agreements, states, "while this office does not disagree that dollars awarded under Federal Supply Schedules need to be taken into account by SBA, we strongly object to inclusion of these awards in measuring the ordering agency's small business performance until such time as appropriate procedural tools are established as necessary. We would also expect that a certain phase-in period would be instituted to allow for the establishment of a new baseline for performance and goal projection. It is recommended that you not issue the proposed guidance (29 Oct 97 memo) at this time and rather that an interdepartmental working group be established to consider the full scope of this proposal."

**b. Recommendations:**

In order to track the use of BPAs under the FSS, a special order numbering sequence will be established. When assigning a procurement instrument identification number for orders awarded under a BPA, position 10, which is the 1<sup>st</sup> position of the serial number will begin with the number 8 (example: F12345-98-F-8001). This will allow the AF to monitor the use of BPAs under the FSS and then track the type of businesses awarded these orders from FPDS. This IPT will not address the proposal to include FSS small business data in the agencies goals.

**6. Issue: Administration**

**a. Discussion:**

The IPT addressed the following administrative areas.

1) Since GSA schedules are for commercial items and services, the contract should not require high-level quality control standards or special systems reviews. Even so, the ordering office needs to establish a plan to monitor contractor performance.

2) Control of decentralized ordering is required under AFFARS 5316.505. Orders under BPAs need to be monitored and periodically reviewed to ensure ordering agents comply with established procedures, including special terms added to the BPA if required and not in conflict with the FSS.

(3) The IPT believes that past performance data must be collected on FSS acquisitions to satisfy FAR Subpart 42.15 Contractor Performance Information and to be available for use in making order award decisions.

**b. Recommendation:**

BPAs should be reviewed annually and more frequently if circumstances warrant. The contracting officer or a designated representative should ensure supplies and services are procured only by authorized users and are within established ordering call limits. Contracting personnel should determine from these reviews whether to cancel under-utilized BPAs or add additional BPAs for frequently-utilized supplies and services. Review of BPAs should be face-to-face with the requiring organization and the BPA supplier. This review is the opportunity for suppliers to provide feedback/critique to the Air Force on its performance in managing the BPA. Additionally, this review should include:

- 1) Customer satisfaction
- 2) Discussion of specific performance issues that surfaced during the period of the BPA that were not resolved or were resolved but the Air Force is concerned may recur.
- 3) Other issues: payment problems, problems with ordering procedures.
- 4) Expectations (this allows both the government and the contractor to set realistic expectations for the next year).

Organizations managing BPAs should establish a performance monitoring plan (i.e., random checks) of contractor performance. Contracting activities should normally perform administration and monitoring of BPAs and BPA delivery/task orders at the local (ordering office) level. However, contracting activities can consider, on a case-by-case basis, assignment to a cognizant DCMC administration office if the needs of the customer warrant. Ordering guidance should be provided (Web-based if possible) to customers for use when placing orders under an Air Force BPA. This ordering guidance should/can refer to FAR 8.405, "Ordering Office Responsibilities."

## **V. CONCLUSION**

1. AF acquisition leaders should support use of GSAs FSS when this procedure promises a successful acquisition strategy to meet the needs of the AF. The above recommendations should

be incorporated in a concise policy memorandum and business plan for AF-wide implementation. The IPT believes the use of BPAs under GSA's FSSs affords buying activities and their customers a very powerful and streamlined tool to quickly obtain commercial goods and services at reasonable prices. The IPT recognizes the need to exercise good business judgment in the use of BPAs. Through proper application and contract administration, the FSS instrument is no more susceptible to abuse or risk than other IDIQ contract arrangements. The FSS offers many advantages over these other contract instruments like no minimum obligation, more flexibility in adding contractors, faster to get on contract, less administrative effort in making awards, and less risk of protest or litigation.

2. The IPT addressed its charter to develop business practices and policies which promote:

a. Competition

Result: GSA's procedure for the multiple award schedule program is sanctioned by statute as a competitive procedure. GSA establishes the rules for ordering and those rules are published in FAR Part 8. Since those rules are underpinned by the statutory language, GSA opposes any actions at the agency level to make changes to FAR Part 8 ordering procedures. These procedures provide a streamlined acquisition approach and provide flexibility for ordering activities in selecting best value products and services. Based on a greater understanding of GSA's procedures, no particular changes are recommended by the IPT. Ordering activities have the responsibility of conducting a structured evaluation of suppliers necessary to properly make a best value award decision.

b. Small Business Participation:

Result: The IPT concluded that special ordering procedures which would require buying activities to consider only small business GSA schedule contractors or that would require subcontracting plans would be inconsistent with GSA's rules and the statutory language calling for full and open competition. GSA clearly follows statute in establishing a full and open environment for contractors to obtain schedule contracts. In so doing, nearly 70 percent of the schedules are awarded to small business firms. Also, GSA pointed out that subcontracting plans follow commercial practices and GSA monitors these plans. Buying agencies requiring separate plans would be inconsistent with these commercial plans and monitoring by both GSA and the ordering activity would be redundant. Therefore, the GSA procedures promotes more small business involvement and creative teaming arrangements.

If SBA advocates ordering offices to restrict business opportunities to small business firms with GSA schedules, they should initiate action to change the appropriate language in the FAR. Otherwise, GSA ordering procedures and GSA allow ordering offices to proceed without regard to other set-aside programs. The GSA schedules provide coverage from a wide range of business firms and provide streamlined access to order from firms selected as providing best value goods and services. AF activities need to be aware and address their organizational socio-economic goals and ensure a representative number of schedules with small, small disadvantaged and woman owned business firms are considered for selection as potential BPA sources as part of their "best value" determination. Moreover, AF should proactively monitor business activity under BPAs to assess the impact on the small business community.

SBA's concern about 8(a) consideration for new requirements and loss of 8(a) contracts and their rights to appeal a buying activities decision not to award a 8(a) contract is a major concern and potential barrier to using the GSA schedules. Contracting activities need to be sensitive to SBA's position. If 8(a) contractors have been performing requirements successfully under existing contracts, it may not be in the best interests of the AF to eliminate future 8(a) contracting opportunities in favor of BPAs under GSA schedules. Contracting activities need to properly justify use of GSA schedules, in this case, with convincing rationale supporting the advantages and benefits of using the GSA schedules.

c. DD 350 Coding:

Results: Data can be input into the DD 350 which will identify BPA orders against GSA schedules. This data can then be retrieved to assess the amount of business the AF activity has done with small businesses that have GSA schedules. Information is not retrievable at the subcontract level. GSA collects data related to size status of their schedule holders and is able to provide this data to ordering activities as needed. The IPT does not see this as a major obstacle to use of the GSA schedules, however coding instructions need to be issued to activities with BPAs. In the future, DoD may issue guidance directing agencies to include GSA small business dollars in their agency goals. Presently, DoD has recommended to OFPP that an interdepartmental working group be established to consider the full scope of reporting contracting actions against GSA Federal Supply Schedules.

d. Other comments:

The IPT considered the advantages of writing BPAs against the GSA schedules rather than just writing orders against the schedules. The AF has not suspended the practice of issuing orders directly against GSA schedules. Ordering against the schedules is faster than setting up agency ID/IQ contracts and could be the means that some agencies resort to for filling requirements if the BPA procedures continue to be suspended. The main advantages of setting up BPAs over issuing orders include: 1) establishing needed terms and conditions such as an organizational conflict of interest provision which will apply to all orders, 2) entering into a mechanism which supports a long term relationship between the AF and the contractor which will be sensitive to AF needs over the life of the GSA schedule and BPA. 3) creating a system for ordering, overseeing, monitoring, and controlling use of the GSA schedules for high use supplies and professional services, 4) Facilitating a competitive environment among BPA sources, 5) Getting economies of scale for lower prices than those contained in the basic GSA schedules.

## **APPENDIX A TO IPT REPORT**

### **FSS/BPA Business Practice Guide**

## Part 1. General:

Establishing Blanket Purchase Agreements (BPAs) against GSA's Federal Supply Schedules (FSS) may afford ordering offices a streamlined approach to acquire a wide range of commercial supplies and services that meet customer requirements. It provides an open market place which is conducive for activities with evolving requirements. Contracting officers are encouraged to consider using the FSSs after a thorough analysis is performed considering the particulars of each requirement as part of an integrated acquisition strategy. GSA establishes procedures for use of the FSS program under FAR Part 8. Ordering offices are not authorized to deviate from those procedures or take actions which conflict with FAR and statutory language. The key to success of the strategy is to create and maintain a competitive environment throughout the acquisition. SAF/AQC policy memo dated 14 Aug 97, provides guidance on using the GSA Schedule for acquiring information technology and should still be used for guidance. This document provides further guidance in the planning, executing and administering of BPAs under FSSs.

## Part 2. Business Practices to Consider:

### a. Acquisition planning:

Early planning between the requirements and contracting organization is key to forming an effective acquisition strategy. One aspect of this strategy is determining what contracting approach to use for the acquisition by doing a comparison of the various contracting alternatives. The existing thresholds and requirements for Acquisition Plans and Acquisition Strategy Panel that are in the DFAR, AFFARS and MAJCOM supplements apply when considering using the FSSs. The following are some guidelines to use when considering establishing BPAs under FSSs:

(1) Conduct thorough market research: The contracting and requiring offices should prepare a market research plan and allocate sufficient resources to perform market research. Market research includes an analysis of the suppliers who are on the GSA Schedule and the prices and types of products and services being offered. This can be used to do a comparative analysis of the prices offered under other contract vehicles (ID/IQ) and the prices under the FSS, to determine which contract vehicle provides the lowest overall acquisition cost. The estimated cost of performing the acquisition should be a factor in this analysis. Market research is also a tool to determine the potential participation of suppliers who are small, small disadvantaged and woman-owned businesses.

(2) Small Business Program: Although GSA Schedules have already met the requirements for setting aside acquisitions (see FAR 19.502-1), organizations need to be aware of their small business goals and the potential small business suppliers who can provide the type of product or service being acquired. The contracting office should determine the right Standard Industrial Classification code with its size standard to determine the potential for small business participation. Early in the acquisition planning process, contracting offices should work with their Small Business Specialist (SBS) to facilitate small business participation. Organizations should

encourage small/small business and small/large business teaming. If a requirement can be met through the use of the 8(a) program, consideration should be given to using an 8(a) contract rather than the FSS program as the acquisition approach. The SBA may appeal an agencies' decision to use the FSS when doing so would eliminate contracting opportunities for 8 (a) contractors (particularly where work being considered to be acquired under the FSS was previously performed under the 8(a) program). It is, therefore, critical in these situations to show the rationale and benefits of using the FSS. This analysis shall be part of an acquisition plan or acquisition strategy and coordinated with the SBS on the Small Business Coordination Record, DD Form 2579.

(3) Long-term supplier relationships: For many technical services, establishing long-term supplier relationships is important for continuity purposes. Because the GSA Schedules have a life of 5-10 years, they can provide a contract vehicle to support this objective. When planning an acquisition, consider when current schedules expire and plan how to support long-term relationships with suppliers when it is in the best interest of the ordering activity.

(4) Establishing BPAs: Contracting organizations need to identify their unique terms and conditions (T&Cs) and determine that they do not conflict with the T&Cs of the GSA Schedule. In determining the number of BPAs to execute with suppliers, organizations should consider the volume of orders for a particular product or service. The key is to have the right number of suppliers that will allow the ordering activity to maintain a competitive environment among different schedule contractors. Consideration should also be given to the management and administrative requirement of multiple BPAs. Multiple BPAs may not be practical because of standardization, security, or other requirements.

(5) Competitive environment: As part of the acquisition strategy, organizations must establish procedures on how they will compete direct awards, BPAs, and the resultant orders that they will be issuing. Keeping the right mix of suppliers will be the key to maintaining a competitive environment.

(6) Management of BPAs: Determine up front the potential users of a BPA, as BPAs may cover multiple installations, and establish ordering procedures against the BPA. Also address control, oversight, and administrative requirements to ensure proper use of the BPA and guard against abuse.

#### b. Awarding BPAs:

Contracting officers will follow FAR Part 8 procedures in selecting GSA Schedule contractors for BPAs. Provisions of the BPA shall not conflict with the FAR or the T&Cs of the GSA Schedule contract. The following procedures should be considered in establishing BPAs:

(1) Utilize the Commerce Business Daily or an electronic bulletin board to issue your organization's intent to establish BPAs. This should be done early in the acquisition process to allow sufficient time for suppliers to obtain GSA schedules and provide a communication forum for suppliers. Establish open communications forums with GSA schedule contractors through vendor conferences, market research, draft Invitations or other means to enhance the best value selection for BPAs. A formal CBD synopsis is not required for establishing a BPA under the FSS.

(2) The invitation notice to enter into a BPA should contain instructions for suppliers on what to submit with their quotation, how it will be evaluated, and the unique T&Cs of the planned BPA (i.e., organizational conflict of interest clause ). The Invitation will specifically state that quotes will only be accepted from contractors with GSA schedules. It should also address if multiple BPA awards are contemplated and if additional ordering activities will be allowed to execute orders under the BPA. The Invitation should contain the evaluation criteria, which should include past performance, for BPA selection.

(3) GSA Schedule contractors may use teaming arrangements (see FAR 9.6) to provide solutions when responding to the invitation notice. These teaming arrangements should be addressed in the supplier's response and resultant BPAs. Participation in a teaming arrangement, which is not a prime/subcontractor relationship, is limited to GSA Schedule contractors. Subcontracting arrangements should also be addressed in the BPAs. Under the FSS, subcontractors perform work under the prices established by the prime contractor under the FSS and do not have to be a supplier under the FSS.

(4) In establishing BPAs, organizations should seek more favorable prices, delivery terms and conditions, discounts, and other T&Cs than those contained in the GSA schedule. This does not preclude contracting offices from establishing other pricing strategies such as establishing prices for individual orders rather than setting prices in the BPA.

(5) In order to meet organizational small business goals, BPAs should be established with a representative number of small, small disadvantaged and woman-owned businesses. Organizations shall consider small business participation as a factor in the best value selections for BPAs.

(6) Only contracting officers can sign the BPA document and BPAs should be immediately available to all authorized users. There is no prescribed BPA format; however, GSA has formats available.

(7) When appropriate, new GSA schedule holders should be permitted to submit evaluation packages during the year. Based on evaluation results, these GSA sources may be awarded BPAs in addition to those awarded earlier.

c. Awarding Orders:

In establishing the ordering process, contracting officers must follow instructions in FAR Part 8.404. An evaluation process should be established which contains information, particular to the requirement being ordered, necessary to properly make a best value award decision. Suppliers should be notified of the evaluation criteria used to make award decisions of orders. When ordering, contracting officers should pursue price reductions and more favorable T&Cs than those that are already available on the Schedule or BPA. In performing evaluations, review all factors (price and non-price which includes past performance) in making an award. The ordering decision should be documented and be consistent with the established evaluation process. Other factors that should be considered by the ordering activity:

(1) Establish a well defined performance-based requirement for each order. Each order will comply with applicable regulations or requirements of the product or service being ordered. Examples of this are the Advisory & Assistance Service query requirements, Organizational Conflict of Interest clause, Year 2000 compliance requirement, Defense Information Infrastructure Common Operating Environment, and appropriate surveillance planning.

(2) Address organizational socio-economic goals (small, small disadvantaged, and woman-owned businesses) in your ordering decisions. Organizations shall consider small business participation as a factor in the best value selection for an order.

(3) Utilize streamlined ordering procedures, such as oral presentations, electronic mediums and minimize proposal documentation. Work with Industry to establish and improve the ordering process. Maximize the use of the IMPAC card in accordance with the threshold of the ordering activity. Orders shall be signed by a contracting officer using a SF 1449.

d. Coding/Reporting:

The current DD 350 reporting system does not provide the Air Force with the direct capability of tracking the type of business utilized under the FSS. Until this capability is available, SAF/AQCI has developed a process to track this information. Therefore, when buying activities place orders against BPAs under the FSS, you will assign an “8” to position ten of the PIIN (example: F12345-98-F-8001). Do not use the number “8” in position ten for direct orders off the FSS.

e. Management and Administration:

(1) The GSA Schedule provides an open market place for goods and services, but to be effective it must be carefully managed and administered. One tool to accomplish this is to establish a management plan which will contain how supplier performance will be monitored. BPAs should be reviewed, at least annually, with the supplier and users. This review should provide an opportunity for feedback/critique to the ordering activity in managing the BPA and suppliers on their performance. This can include:



(a) Customer survey and performance surveillance results, discussion of specific performance issues, review of sales statistics, payment problems, ordering procedures.

(b) Future goals (this allows both the acquisition activity and the BPA suppliers in setting realistic expectations for the next year) including any changes to small business goals.

(c) The organization managing the BPA will establish a surveillance plan to ensure periodic monitoring/surveillance of supplier's work performance. A surveillance plan should be developed and the ordering office will train evaluators to oversee orders for services.

(2) Ordering guidance should be provided (Web-based, if possible) to customers for use when placing orders under an Air Force BPA or family of BPAs.

